

Small and Medium Enterprise  
Competitiveness Enhancement Program (SMECEP)

Contract Number 690-C-00-02-00002-00

Quarterly Progress Report-First Quarter  
Phase I, Contract Year 2  
January 1 through March 31, 2003

Submitted to USAID/Namibia

April 2003



**Sigma One Corporation**

# **SMEs Compete**

**Small and Medium Enterprise Competitiveness Enhancement Program (SMECEP)**

**Contract Number 690-C-00-02-00002-00**

**Implemented by Sigma One Corporation**

**Phase I, Contract Year 2**

## **Quarterly Progress Report**

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### ***Foreword***

#### **SMEs Compete/SMECEP**

“SMEs Compete” is the trade name for the Small and Medium Enterprise Competitiveness Enhancement Program (the Program) funded by USAID/Namibia. SMEs Compete, Phase I, provides assistance and support for income growth and job creation in the Namibian small and medium enterprise (SME) sector. The Program prescribes performance of Outputs to achieve specified Targeted Results (TRs) to improve SME entrepreneurial, management, marketing and information technology skills, and to increase the capacity of business support organizations (BSOs) in the sector.

This Quarterly Progress Report (this/the Report) is submitted under Contract Section F.6(c) and pursuant to the Annual Work Plan for Phase I, Contract Year 2 (the 2003 Work Plan).

#### **Organization**

This Report follows the format of the 2003 Work Plan. It incorporates by reference the substance and spirit of that document and of other previous submissions setting forth Program principles, methods and mechanisms of implementation.

The Report divided into three sections:

- A short narrative consisting of
  - This Foreword;
  - A discussion of the major areas of work during the period, including reference to information and developments bearing on planned activities and to contacts and coordination with Program constituents; and
  - A notation of priorities for the next quarter.

- The 2003 Work Plan schedule of activities for the First Quarter, organized by TR and Output and annotated to indicate work accomplished in the period for each planned activity. To permit easy assessment of continuity, progress and integration, the corresponding schedule for the following quarter is also displayed.

## **Overall Implementation Approach**

The Program's primary objective is to increase income and job creation of Namibian SMEs. Its Phase I target is to support at least 50 high potential individual SMEs. In addition, SMEs Compete provides extensive and varied assistance to the broader SME sector. As a corollary to its main purpose, it seeks to improve the capacity of local BSOs.

To those ends, the Program prescribes an impressive array of Outputs to support access to technology, skills development and national, regional and international trade. Given the breadth of the Program, its many and varied activities and the heterogeneity of its constituency, SMEs Compete must strive to maintain its focus on the specific target and on the overriding mandate to serve the SME sector. Accordingly, the Program endeavors in all planning and implementation to be objective-driven, action-oriented, efficient and reality-based.

## ***Major Areas of Work During the Period***

The major areas of work during the period involved review of findings to date; assessment of their bearing on the Program's strategic direction and implementation methods; and, based on that review and assessment, adjustments to strategy and development or refinement of methods, as appropriate.

The 2003 Work Plan reflects the primary conclusions of the review and assessment, the resulting modifications in strategic direction, and the corresponding developments in Program management.

### *Review and Assessment of Findings to Date*

#### The Client Base

Program Staff dedicated the early part of the reporting period to assessing Program-generated data, especially in the following key areas: The nature and size of the SME client base; the strategic and implementation assumptions for Program management.

The findings regarding Namibian SMEs indicated a need to distinguish among the Program's clients to improve assistance delivery. SMEs Compete divided its clients into three groups based on business characteristics, attitudes and interests: "High", "Medium" and "General". It revised its survey and qualification forms and procedures accordingly, and followed-up with extensive field work to test and refine its methods. In these efforts,

an international Small/Medium Enterprise and Business Services Development Specialist assisted in-country Staff.

### Strategic Direction and Program Management

Based on its analysis of the client base, and with reference to its client groups, SMEs Compete undertook assessment of (1) the effectiveness of Program management using the “competitive cluster theory” as a guide and (2) the merits of its original approach to supporting SME utilization of information technology.

#### ***1) “Clusters”***

To determine the effectiveness of assisting SMEs by “cluster”, the Program assessed results to date in terms of SME presence and extent of participation in the various “clusters” identified for concentration at Program outset. At the same time, it sought to identify other areas for special Program focus. This effort involved review of sectoral information and of outreach results, as well as substantial additional field work. An international Private Sector Specialist assisted in-country Staff in these efforts.

The work led to the following overall conclusions, later elaborated in the 2003 Work Plan:

- Regarding SME participation in “clusters”. SME activities in the various clusters are few and shallow. The pervasive and overriding constraints on SME “competitiveness” in all “clusters” are the SMEs’ severe deficiencies in basic business skills and technical know-how.
- Regarding the utility of “clusters” to Program management: Given the dearth of SMEs in all “clusters” and the impediments presented by their skill deficiencies, the “competitive cluster theory” should not serve as the Program’s compass. Sectoral focus, however, can be the basis of a unifying approach in some areas, if expectations are moderated by actual circumstances and if activities are designed with SMEs’ needs and capacities as the foremost considerations. The Work Plan reflects that approach in general and in specific activities.

Regarding additional areas of focus, field work in 2002 had indicated considerable SME activity in the building construction sector. During the Reporting Period, SMEs Compete retained an international Construction Specialist to assess the potential for effective programmatic assistance to SME building contractors. The Specialist performed extensive field work in Rundu and Oshakati, which verified and developed initial findings.

#### ***2) Information & Communications Technology***

Program Staff reviewed its original IT component in the light of information regarding the actual IT needs and usage of Namibian SMEs, emerging guidelines for support to the sector and recent related developments in Namibia. In that review, the Program

identified areas potentially meriting support within and beyond those originally planned. The Small/Medium Enterprise and Business Services Development Specialist assisted the Staff in these efforts and in field work pertaining to them.

SMEs Compete concluded that effective support to its client base requires changes and additions to its IT strategy, including the incorporation of communications technology. As the reporting period ended, creation of a modified “ICT” strategy was in train, with a briefing to USAID scheduled for the first week of April.

### *Development and Refinement of Implementation Mechanisms*

Based on Program experience to date and the major items of work performed during the period, the SMEs Compete Staff developed a series of Program implementation guides. The Staff held four extensive briefings with USAID/Namibia personnel to describe those mechanisms, as well as to review work in progress and to discuss future plans.

Specifically, on the following dates, the Staff presented its findings to the CTO-USAID/Namibia and other USAID personnel regarding the indicated subjects.

- March 5. “SMEs”, including a “Framework for Program Implementation Mechanisms”, “Criteria & Protocol for Assistance to SMEs; and “Outreach Program to Recruit SMEs for Assistance”
- March 13. “BSOs”, including a “Criteria & Protocol for Participation of BSOs” and the “Grant Manual”
- March 20. “Consultative Framework”
- March 27. “Performance Monitoring”, including the “Performance Monitoring and Evaluation Plan”

Note that the Grant Manual will govern of the selection of local BSO/NGO grantees and disbursement of grant funds. That Program, which is also the subject of dedicated activity in the Second Quarter, is a separate and distinct effort within SMEs Compete. While a key element in building BSO capacity to serve SMEs, it is also an important complement to general Program assistance and should substantially supplement Program results.

In its intensive work beginning in the reporting period and extending beyond, the Staff has been assisted by a Grants and Contracting Specialist working from her home base.

### *Discussions and Coordination with Program Constituents*

In connection with its reviews and assessments and its development of the 2003 Work Plan, the Staff met with numerous Program constituents to solicit opinion on effective

approaches to SME development in general, information regarding developments in the Namibian SME sector and specific ideas and proposals for activities during 2003.

Among the many parties who met with the Staff in individual meetings—in almost all cases on several occasions—were the following: IMLT, NamDef, JCC, NCCI, Polytechnic/Highland College, Rossing Foundation, CISP, Rotary Club, ENF, The Initiative Foundation, Weda Consulting, NDC, NTB, GTZ, a range of other BSOs, numerous SMEs, and various representatives of USAID/Namibia, USAID/RCSA and USAID/RHUDO. Further, SMEs Compete consultants met with some of the parties above and, among others, with representatives of UNAM, the Usaka Gemstones Center, NIMT, HAN, FENATA and many additional SMEs.

In addition to private sector parties, the SMEs Compete Staff met several times with officials and advisors from the Ministry of Trade & Industry, particularly with personnel in the Directorates of Small Scale and Informal Industries and of International Trade, regarding general program progress and specific on-going, planned and proposed activities. SMEs Compete consultants met with a wide range of Government officials in the Ministries of Basic Education, Mining, Tourism, Finance and Works, as well as with representatives of the Regional Councils in Kavango and Oshana.

The input derived from those Staff and consultants contacts informed the approach and specific activities of the 2003 Work Plan.

### **Priorities for the Second Quarter, April 1-June 30**

Performance during the second quarter of 2003 is essential to the success of Phase I and to creating a firm foundation for Phase II. The priorities for the April-June period are:

- Timely implementation of the Grant Program;
  - Creation of an integrated, workable ICT strategy to assure the deployment of dedicated resources for the maximum benefit to the SME sector;
- and, most importantly,
- The implementation of effective assistance for High Potential SMEs.

Developments in each of those priority areas will have an effect on activities during the following three quarters, and on the objectives and nature of targets and outputs for Phase II. Experience in those areas may require modifications to the Work Plan for the balance of contract year 2003, including but not limited to more specific descriptions of activities for July 2003-February 2004, deletion of activities or additions of new ones.